

HATTEN LAND LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199301388D)

RESPONSE TO SGX QUERIES

The board of directors (the “**Board**”) of Hatten Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 10 April 2020 in respect of the Proposed Disposal of Land by Prolific Revenue Sdn Bhd (“**PRSB**”) (“**Announcement**”). The Board wishes to respond to the Queries as follows:

Unless otherwise expressly defined herein, all capitalised terms shall bear the same meanings ascribed to them in the Announcement.

Query 1

It was disclosed that the Purchaser is principally engaged in manufacturing, wholesaling and export of automobile spare parts and provision of such other services related to automobile. Who introduced the Purchaser to the Company? Who is the ultimate beneficial owner and directors of the Purchaser?

Company’s Response

PRSB appointed a property agent known as JS Valuers Property Consultants (Melaka) Sdn Bhd (“**JS**”) to sell the Land and the Purchaser was introduced by JS. The Purchaser’s shareholders are Dato’ Seri Lim Teck Boon & Lim Jen Jen and directors are Dato’ Seri Lim Teck Boon, Dato’ Lim Chaw Teng & Lim Jen Jen. The Purchaser and its shareholders and directors are not related to the Group and its directors and substantial shareholders.

Query 2

Noted that the book value of the leasehold Land which expires on 15 Feb 2110 is RM32 million. How much did Hatten acquire the Land for?

Company’s Response

The Land is owned by PRSB and on 5 May 2017, Hatten completed the acquisition of PRSB for RM438,509.90 taking over all assets and liabilities of PRSB as at 31 March 2017 (please refer to announcement same on 5 May 2017). In the books of PRSB as at 31 March 2017, the Land was recorded at RM32 million, supported by an independent valuation from IVPS Property Consultant Sdn Bhd of RM31.4 million.

Query 3

The expenses incurred by the Group on the MICC Project which was capitalized was RM5.7 million. Such expenses are to be written off as a result of the Proposed Disposal. Would this be in substance be considered to be a ‘loss on disposal’ to the Group as well? Therefore, the total loss on disposal would be approx. RM9.2 million?

Company’s Response

We would like to highlight that the Company is disposing solely the land. However, from the disposal, the expenses incurred to date for the project would have to be written off. In the books of PRSB as at 29 Feb 2020, the book value of the Land amounted to RM32 million and expenses incurred for the MICC Project amounted to RM5.7 million. Therefore, total book value of the MICC Project amounted to RM37.7 million. Based on the Consideration of RM28.49 million, Company would recognise a loss on disposal of the land of RM3.5 million (RM32 million less RM28.49 million). This loss of disposal of RM3.5

million has been disclosed together with the write off of expenses of RM5.7 million in the same sentence in the Announcement.

Query 4

In the Company's announcement it was disclosed that "In terms of the valuation of the Land, the Company had relied on similar land sale currently available in the market as a reference. The Board is of the view that such reference price is sufficient in light of the fund raising opportunity arising from the Proposed Disposal in the current economic environment whereby there may be limited number of buyers in the market and the ability to complete the deal in a relatively short period of time is crucial to unlock its value to the Company."

- (a) Please elaborate on the similar land sale currently available in the market for which the Company had referenced to.
- (b) Please elaborate the fund raising opportunity arising from the Proposed Disposal.
- (c) Please elaborate on how the ability to complete the deal in a relatively short period of time is crucial to unlock its value to the Company.

Company's Response

- a) Please refer to Appendix I to this announcement for the list of comparable land sale in the market the Company had referred to as at 24 March 2020. These comparable lands are for commercial development and are located adjacent to the Land. As at 14 April 2020, these lands have yet to be sold. The Company also took into consideration the sale of a comparable land completed in October 2019 as listed in the list.

For the sale of the Land, Company's asking price was RM32 million to match its book value but it only received one offer which was from the Purchaser at the Consideration. In the current economic environment, there is a limited number of land buyers in the market and Company decided to accept the offer instead of holding out to secure better offers. The property agent, JS also advised the Company to expedite securing the deal.

- (b) Since the change of the government of Malaysia in 2018, the property sector has remained soft and this was further affected by the Covid-19 which culminated with the Movement Control Order ("MCO") on 18 March 2020 to 28 April 2020. The extent of the impact and duration of the spread is uncertain. With this backdrop, the Company re-assessed its business strategies and fund raising options including the sale of existing completed and ongoing units, bank borrowings and sale or refinancing of its assets. The Company identified the sale of the Land as a good option to raise funds expeditiously due to the following factors:-

- (i) Due to the transaction value, sale of land caters to sophisticated buyers who are better able to evaluate and conclude a deal, as compared to selling of property units to retail buyers which may be more difficult in this current environment; and
- (ii) The holding period of the Land for the MICC Project development is uncertain in view of the current sentiments. Instead the Group will focus on completing its existing ongoing projects.

The Proposed Disposal is a good opportunity to raise funds in the current economic environment. From the Proposed Disposal, the Company would raise RM28.49 million of funds.

- (c) In the current economic environment, there is a limited number of land buyers in the market and there is urgency to lock in a buyer for the Land. Company's ability to quickly secure a deal and work towards its completion is crucial to ensure the successful monetisation of the Land to unlock its value.

Query 5

In view of the disclaimer of opinion received for its FY2019 annual report in respect of the use of going concern assumption, please provide the Board of Directors' current assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment.

Company's Response

The Board of Directors is of the view that the Group is able to continue operating as a going concern taking into account the following key factors:-

- (i) As at 31 December 2019, the Group had net assets and net current assets of RM401.8 million and RM365.8 million respectively. In addition, the Group had approximately RM1.3 billion of unsold completed properties. These assets can be monetised through collection and sales to generate cashflow. The Proposed Disposal is an example;
- (ii) Most of the Group's repayment obligations for borrowings have been extended due to various government initiatives in Malaysia and Singapore. This has allowed the Group to channel its cashflow for operation purposes;
- (iii) The Group has implemented various measures to manage and/or reduce its operating costs. This will allow the Group to manage its expenditure in line with its cashflow.

As the extent of the impact and duration of the spread of the Covid-19 is uncertain, the impact on the Group's financial performance and operations for the full year 2020 cannot be determined at this stage. On 18 March 2020, the Company issued a profit guidance note that the Group expects that its financial results will be adversely impacted for the third quarter ending 31 March 2020 and the full financial year ending 30 June 2020, as compared to the corresponding periods in the previous year.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
16 April 2020

This announcement has been prepared by Hatten Land Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Appendix I

Comparable Land for Sale in Market as at 24 March 2020

	Size (Acres)	Asking Price (RM)	PSF (RM)
Land 1	7.445	34,051,941	105
Land 2	4.0	17,500,000	100
Land 3	5.0	15,246,000	70
Sale Land	9.34	28,488,675.60	70

Comparable Land Sale Completed

Seller	Date	Size (Acres)	Asking Price (RM)	PSF (RM)
Land 4	Oct 2019	6.0	14,385,965	55

